

## **Kentucky Arts Council (KAC) Operating Grants Task Force Report and Recommendations**

**Task Force Participants:** Randall Vaughn, Chair; Stephanie Bateman; Jean Dorton; Todd Lowe; Jo Marshall; Lori Meadows; and Dan Strauss

In preparation for its recommendations, the Task Force held focus group meetings during October and November of 2006 in Covington, Owensboro, Lexington, Paducah, Louisville and Prestonsburg. Representatives of organizations in the KAC operating support programs were invited to attend the meetings, review the history of the operating support programs, and provide input regarding possible revisions of those programs. Whenever possible, KAC board members of the Task Force attended the focus group meetings. KAC staff attended and documented all meetings.

Some key issues, regarding revisions to the operating support programs, discussed at these focus group meetings, as well as at the Task Force's other meetings, include:

- Arts organizations that are service-oriented or focused on producing or presenting new or challenging work will not generate as much income as organizations producing or presenting popular works. Similarly, organizations in rural areas will be unable to generate the level of revenues that are typically available to organizations in large metropolitan areas. **The KAC will continue to recognize that arts organizations must be allowed to produce and present new and compelling work to arts consumers, while balancing presented works with market-driven factors.**
- The focus groups often asked for the KAC rationale in assigning lower funding percentages for the largest organizations. In addition, some focus group participants asked if organizations might suffer relatively lower funding when increasing organizational revenues. **The Task Force recognizes that there have been fewer and fewer dollars allocated each year, while the number of applications requesting grant funds continue to rise each year, therefore using graduated funding percentages, based on organizations' revenues, provides for a more balanced and equitable distribution of grant funds, as well as more predictable funding allocations.**
- **The Task Force recognizes that it is difficult for arts organizations to effectively advocate for KAC funding as a unified group because they apply in different operating support funding categories.**

Following full review and consideration of all available information regarding KAC operating support programs, the KAC Operating Grants Task Force makes the following recommendations, applicable to the FY 2009 grants cycle, which has a January, 2008 application deadline:

- **Restructure the three current operating support programs (General Operating Support I, General Operating Support II and Challenge Grant) as a single operating support program for all eligible applicants**
- **Structure the funding formula to be based on the revenues of arts organizations as an incentive to recognize and encourage growth and less dependency on state funding from year to year.**
- **Direct the KAC staff to identify eligibility criteria for revenues that comply with standard accounting practices and the auditing requirements of the granting program.**

- Average applicants' last three years of revenues for the funding formula to offset market factors and one-time capital contributions identified as eligible revenue (the funding formula for new applicants will be based on only the prior year's revenues).
- Introduce the following application/funding "tiers," with relevant funding caps, based on organizations' operating revenues for arts programs:

| revenues                | funding caps               |   |   |
|-------------------------|----------------------------|---|---|
| <hr/>                   |                            |   |   |
| \$5 million & more      | 1.5% of operating revenues |   |   |
| \$2.5 - \$4.999 million | 2.5%                       | “ | “ |
| \$1 - \$2.499 million   | 3.5%                       | “ | “ |
| \$500,000 - \$999,999   | 4.5%                       | “ | “ |
| \$100,000 - \$499,999   | 5.5%                       | “ | “ |
| less than \$100,000     | 6.5%                       | “ | “ |

- Direct the KAC staff to meet with current operating support grantees prior to the FY 2009 application deadline in January, 2008 to provide information on the restructured program, including instruction on applying via the Kentucky Arts Services OnLine (KASOL) - tentative meeting dates being August – October, 2007.
- Continue yearly KAC dialogue with arts organizations via forums, workshops, electronic and written communications and/or roundtable discussions to further enhance understanding of grant programs and processes.
- Expand KAC statewide advocacy for the arts through ongoing advocacy opportunities with local and state elected officials, such as KAC Arts Day at the Legislature.